

**HENRIETTA TOWNSHIP**  
**AUDITED FINANCIAL STATEMENTS**  
**WITH SUPPLEMENTAL INFORMATION**  
**JUNE 30, 2004**

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>HENRIETTA TOWNSHIP</b>	County <b>JACKSON</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>12/17/04</b>	Date Accountant Report Submitted to State: <b>12/29/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) <b>MARKOWSKI &amp; COMPANY, CPAs</b>			
Street Address <b>2880 SPRING ARBOR ROAD</b>	City <b>JACKSON</b>	State <b>MI</b>	ZIP <b>49203</b>
Accountant Signature <i>Donald Markowski Markowski &amp; Company</i>			

**HENRIETTA TOWNSHIP  
FINANCIAL STATEMENTS  
JUNE 30, 2004**

**TABLE OF CONTENTS**

	<b>PAGE <u>NUMBER</u></b>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE STATEMENT OF NET ASSETS	6
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES	7
BALANCE SHEET GOVERNMENTAL FUNDS	8
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS	9
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	10
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	11
STATEMENT OF FIDUCIARY NET ASSETS	12
NOTES TO THE FINANCIAL STATEMENTS	13
REQUIRED SUPPLEMENTARY INFORMATION:	
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	21
BUDGETARY COMPARISON SCHEDULE – VEHICLE REPLACEMENT FUND	26
BUDGETARY COMPARISON SCHEDULE – PUBLIC IMPROVEMENT FUND	27

# MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS  
2880 SPRING ARBOR ROAD  
JACKSON, MICHIGAN 49203  
PHONE (517) 782-9351  
FAX (517) 782-0599

K. LAVERNE MARKOWSKI, C.P.A.  
RONALD L. MARKOWSKI, C.P.A.  
DOUGLAS E. ATKINS, C.P.A.

**MEMBERS:**  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTS  
ESTATE PLANNING COUNCIL  
OF SOUTH CENTRAL MICHIGAN

## INDEPENDENT AUDITOR'S REPORT

Township Board  
Henrietta Township  
Jackson County, Michigan

We have audited the financial statements of the governmental activities, major funds, and remaining fund information, which collectively comprise the basic financial statements, of Henrietta Township, Michigan, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

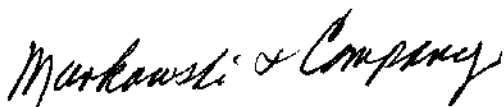
In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major funds, and remaining fund information of the Township at June 30, 2004, and the changes in financial position, of those activities and funds and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and the Analysis of Funding Progress are not required parts of the basis financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Township Board  
Henrietta Township  
Jackson County, Michigan

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yours truly,



MARKOWSKI & COMPANY, CPAs  
December 17, 2004

## Management's Discussion and Analysis

### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

### The Township as a Whole

The Townships net assets increased by \$24,101 from a year ago. Governmental activities increased in the following areas; building department revenues increased on continued strong residential construction in the township. The fire department began charging fees for providing services to a neighboring township. A \$33,530 contribution was received from a resident for the installation of a new well. In a condensed format, the table below shows the net assets as of the current date:

	Governmental Activities
Current Assets	\$ 478,462
Noncurrent Assets	<u>345,827</u>
Total Assets	<u>824,289</u>
Current Liabilities	86,945
Long-Term Debt Outstanding	<u>44,659</u>
Total Liabilities	<u>131,604</u>
Net Assets	
Invested in Capital Assets - Net of Debt	246,197
Unrestricted	<u>446,488</u>
Total Net Assets	<u>\$ 692,685</u>

## Management's Discussion and Analysis

The following table shows the changes of the net assets as of the current date:

	<u>Governmental Activities</u>
Program Revenues	
Charges for Services	\$ 129,762
Operating grants and Contributions	33,530
General Revenues	
Property Taxes	112,226
State-Shared Revenues	307,094
Interest Income	7,616
Franchise Fees	9,625
Other Income	<u>18,704</u>
Total Revenues	<u>618,557</u>
Program Expenses	
Legislative	63,613
General Government	211,530
Public Safety	227,382
Public Works	5,860
Depreciation	79,080
Interest on Long Term Debt	<u>6,991</u>
Total Expenses	<u>594,456</u>
Change in Net Assets	<u>\$ 24,101</u>

### Government Activities

The Township's total governmental revenues increased by \$46,851, primarily due to the aforementioned public contribution, increased permit fees and charges to other local units of government. Expenditures increased by \$31,391 due to capital outlays, and increased costs to the fire and building departments. The Township monitors its budget closely in order to control costs. Each department is involved in the budgeting and planning process and fully understands that a budget is a plan that is adjustable.

### General Fund Budgetary Highlights

The initial budget was well planned and reviewed by each department and the board. Monthly and quarterly budget meetings are held, and amendments are made when needed. Current property taxes revenues budget was amended to decrease it by \$18,000, state shared revenue was decreased by \$7,000 due to state reductions. As the year unfolded revenues in the building department were increased by \$19,000 to reflect strong housing starts. The total budget was amended by approximately \$4,000.

## **Management's Discussion and Analysis**

### **The Township's Funds**

The General Fund pays for most of the Township's governmental services. The most significant are fire, building inspections and a recycling center. The expenditures were \$143,034, \$52,656, and \$65,752 respectively. Building department revenues of \$51,950, and refuse and recycling fees of \$42,474 helped to offset operating costs. Refuse and recycling fees have been increased to bring the revenue more in line with operating costs. The decrease in state shared revenues impacted our revenues dramatically.

The Township also has a Vehicle Replacement Fund and Public Improvement Fund. By good planning and execution the Township has been able to budget the revenues from the state shared revenues for future vehicle replacement and public improvements.

### **Capital Asset and Debt Administration**

At the end of 2004, the Township had \$318,220 invested in a broad range of capital assets, including buildings and fire equipment. In addition, the Township has invested in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the County Road Commission. During the year the Township received a public contribution to purchase a new well for the fire station. New computer equipment and software were purchased to insure timely service and accurate accounting of funds.

The Township's debt consists of a fire engine purchased under an installment purchase agreement and payments due for road construction.

### **Economic Factors and Next Year's Budgets and Rates**

The Townships budget for 2004/05 shows expenditures of \$638,090 with revenues budgeted at \$644,300. State shared revenues look to remain stable. Property tax revenues are budgeted to increase by \$6,000. The board has increased fees for building and inspection permits and the transfer station to offset rising costs. With the loss of statutory revenue sharing we have implemented cost saving measures by reducing insurance expenditures, phone service and other expenditures. We continue to look for ways to cut costs and still maintain our level of services. The Township operates on a 1 mill tax levy (.80) after Headlee. Increasing costs and decreasing state shared revenues may result in the board reviewing the need for additional millage monies in order to maintain the current level of services in the area of public safety.

### **Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.



**HENRIETTA TOWNSHIP**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**HENRIETTA TOWNSHIP**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**JUNE 30, 2004**

<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 306,278
Investments	66,988
Accounts receivable	102,053
Internal balances	509
Prepaid expenses	2,634
Total current assets	<u>478,462</u>
<b>NONCURRENT ASSETS</b>	
Land	3,500
Buildings and improvements	279,440
Equipment	340,603
Vehicles	415,880
Less - Accumulated depreciation	<u>(721,203)</u>
Net property and equipment	318,220
Intangible asset - road construction	27,607
Total noncurrent assets	<u>345,827</u>
<b>Total assets</b>	<u>824,289</u>
<u>LIABILITIES AND NET ASSETS</u>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	21,959
Accrued payroll	9,515
Accrued leave payable	500
Bonds, notes, and loans payable	54,971
Total current liabilities	<u>86,945</u>
<b>NONCURRENT LIABILITIES:</b>	
Bonds, notes, and loans payable	44,659
Total liabilities	<u>131,604</u>
<b>NET ASSETS:</b>	
Invested in capital assets - net of related debt	246,197
Unrestricted	446,488
Total net assets	<u>\$ 692,685</u>

The accompanying notes are an integral part of the financial statements.

**HENRIETTA TOWNSHIP**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2004**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Legislative	\$ 63,613	\$ -	\$ -	\$ -	(63,613)
General government	211,530	51,412	33,530	-	(126,588)
Public safety	227,382	73,680	-	-	(153,702)
Public works	5,860	4,670	-	-	(1,190)
Depreciation	79,080	-	-	-	(79,080)
Interest on long term debt	6,991	-	-	-	(6,991)
Total governmental activities	594,456	129,762	33,530	-	(431,164)
General revenues					112,226
Property taxes					307,094
State-shared revenues					7,616
Interest income					9,625
Franchise fees					18,704
Other income					455,265
Total general revenues					24,101
Change in net assets					668,584
Net assets - Beginning					\$ 692,685
Net assets - Ending					

The accompanying notes are an integral part of the financial statements.

**HENRIETTA TOWNSHIP  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	GENERAL FUND	VEHICLE REPLACEMENT FUND	PUBLIC IMPROVEMENT FUND	TOTAL GOVERNMENTAL FUNDS
<b><u>ASSETS AND OTHER DEBITS</u></b>				
Cash and cash equivalents	\$ 107,617	\$ 94,742	\$ 103,919	\$ 306,278
Investments	-	-	66,988	66,988
Accounts receivable	102,053	-	-	102,053
Prepaid expenses	2,634	-	-	2,634
Due from other funds	509	-	-	509
Total assets and other debits	<u>\$ 212,813</u>	<u>\$ 94,742</u>	<u>\$ 170,907</u>	<u>\$ 478,462</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b><u>LIABILITIES</u></b>				
Accounts payable	\$ 21,959	\$ -	\$ -	\$ 21,959
Accrued payroll	9,515	-	-	9,515
Total liabilities	<u>31,474</u>	<u>-</u>	<u>-</u>	<u>31,474</u>
<b><u>FUND BALANCES</u></b>				
Fund balances - Unreserved	181,339	94,742	170,907	446,988
Total fund balances	<u>181,339</u>	<u>94,742</u>	<u>170,907</u>	<u>446,988</u>
Total liabilities, fund equity and other credits	<u>\$ 212,813</u>	<u>\$ 94,742</u>	<u>\$ 170,907</u>	<u>\$ 478,462</u>

The accompanying notes are an integral part of the financial statements.

**HENRIETTA TOWNSHIP**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET ASSETS  
JUNE 30, 2004**

Total fund balance - total governmental funds \$ 446,988

Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not current financial resources  
and therefore are not reported in the governmental funds balance sheet. For  
purposes of this reconciliation capital assets are netted with accumulated depreciation. 318,220

The Township has entered into a road agreement with the County Road Commission,  
the payments are spread over a five year period. The Township does not own or  
maintain these roads and therefore are not reported in the governmental funds  
balance sheet. Amount shown net of related amortization. 27,607

Long term liabilities are not due and payable in the current period and, therefore,  
they are not reported in the governmental funds balance sheet. (99,630)

Accrued leave is not due and payable in the current period and, therefore,  
is not reported in the governmental funds balance sheet. (500)

Net assets of governmental activities \$ 692,685

The accompanying notes are an integral part of the financial statements.

**HENRIETTA TOWNSHIP**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2004**

	GENERAL FUND	VEHICLE REPLACEMENT FUND	PUBLIC IMPROVEMENT FUND	TOTAL
<b>REVENUES:</b>				
Taxes and penalties	\$ 112,226	\$ -	\$ -	\$ 112,226
Franchise fee	9,625	-	-	9,625
Licenses and permits	51,950	-	-	51,950
Fees and fines	18,068	-	-	18,068
Intergovernmental	307,094	-	-	307,094
Charges for services	59,744	-	-	59,744
Interest income	1,069	1,832	4,715	7,616
Other revenue	52,234	-	-	52,234
Total revenues	<u>612,010</u>	<u>1,832</u>	<u>4,715</u>	<u>618,557</u>
<b>EXPENDITURES:</b>				
Current:				
Legislative	63,613	-	-	63,613
General government	211,530	-	-	211,530
Public safety	227,382	-	-	227,382
Public works	20,827	-	-	20,827
Capital outlay	71,970	-	-	71,970
Debt service	-	47,117	-	47,117
Total expenditures	<u>595,322</u>	<u>47,117</u>	<u>-</u>	<u>642,439</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>16,688</u>	<u>(45,285)</u>	<u>4,715</u>	<u>(23,882)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	19,721	17,000	-	36,721
Operating transfers (out)	(17,000)	-	(19,721)	(36,721)
Total other financing sources (uses)	<u>2,721</u>	<u>17,000</u>	<u>(19,721)</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)</b>	<u>19,409</u>	<u>(28,285)</u>	<u>(15,006)</u>	<u>(23,882)</u>
<b>FUND BALANCE - Beginning of year</b>	<u>161,930</u>	<u>123,027</u>	<u>185,913</u>	<u>470,870</u>
<b>FUND BALANCE - End of year</b>	<u>\$ 181,339</u>	<u>\$ 94,742</u>	<u>\$ 170,907</u>	<u>\$ 446,988</u>

The accompanying notes are an integral part of the financial statements.

## HENRIETTA TOWNSHIP

Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balance of Governmental Funds to the  
Statement of Activities.

Year ended June 30, 2004

Net change in fund balances - total governmental funds	\$ (23,882)
--	-------------

Amounts reported for governmental activities in the statement of activities  
are different because:

Government funds report capital outlay as expenditures. However, in the government wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	71,970
--	--------

Governmental funds report road payments to the County Road Commission as expenditures. However, in the government wide statement of activities and changes in net assets, the cost of those intangible assets is allocated over their estimated useful lives as amortization expense.	15,675
---	--------

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(79,080)
---	----------

Amortization expense on intangible assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, amortization expense is not reported as an expenditure in governmental funds.	(708)
--	-------

The payments of long term debt consumes the current financial resources of governmental funds. The amount of the effect of this in the statement of activities.	<u>40,126</u>
---	---------------

Change in net assets of governmental activities	<u>\$ 24,101</u>
---	------------------

The accompanying notes are an integral part of the financial statements.

**HENRIETTA TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**JUNE 30, 2004**

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 509</u>
<u>LIABILITIES</u>	
Due to other funds	<u>\$ 509</u>

The accompanying notes are an integral part of the financial statements.



**HENRIETTA TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**HENRIETTA TOWNSHIP**  
**INDEX TO THE NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

	<u>PAGE</u> <u>NUMBER</u>
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:	
A. DESCRIPTION OF TOWNSHIP OPERATIONS	13
B. REPORTING ENTITY	13
C. GOVERNMENT-WIDE FINANCIAL STATEMENTS	13
D. MEASUREMENT FOCUS BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION	13
E. CASH AND CASH EQUIVALENTS	15
F. RECEIVABLES	15
G. PREPAID EXPENSES	15
H. CAPITAL ASSETS	15
I. INTANGIBLE ASSETS	15
J. FUND EQUITY	15
K. ACCUMULATED UNPAID LEAVE PAY	15
L. LONG TERM OBLIGATIONS	16
M. ESTIMATES	16
NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:	
BUDGETARY INFORMATION	16
BUDGET VIOLATIONS	16
NOTE 3 - PROPERTY TAXES	16
NOTE 4 - CASH AND INVESTMENTS	16
NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES	16
NOTE 6 - PROPERTY, PLANT AND EQUIPMENT	18
NOTE 7 - EMPLOYEES' PENSION PLAN	18
NOTE 8 - CHANGES IN LONG-TERM DEBT	19
NOTE 9 - BUILDING PERMITS	19
NOTE 10 - RISK MANAGEMENT	20

**HENRIETTA TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

The accounting methods and procedures adopted by Henrietta Township conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The following is a summary of the significant accounting policies used by Henrietta Township.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**A. DESCRIPTION OF TOWNSHIP OPERATIONS -**

Henrietta Township is a general law township and is located in Jackson County, Michigan. The Township operates under an elected Board consisting of a Supervisor, Clerk, Treasurer, and two Trustees, and provides services to approximately 4,400 residents in many areas including fire and police protection, roads and streets, public interests, planning and zoning, and general administrative services.

**B. REPORTING ENTITY -**

As required by generally accepted accounting principles, the financial statements of Henrietta Township include its primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. On this basis, accordingly, the financial statements of certain other governmental organizations within the Township, such as the school district, are not included in the financial statements of the Township.

**C. GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements report information on all of the nonfiduciary activities of Henrietta Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as a separate column in the fund financial statements.

**D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**HENRIETTA TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. All other revenue items are considered to be available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Vehicle Replacement Fund accounts for the resources advanced from the general fund earmarked for capital outlays for the Township's fire department.

The Public Improvement Fund accounts for resources received from the general fund earmarked for public improvements.

Additionally, the Township reports the following fund types:

The Township reports the following Fiduciary Funds (not included in government-wide financial statements)

Agency funds account for assets held by the Township in a purely custodial capacity, the reporting entity includes three agency funds. Since agency funds are custodial in nature, they do not involve the measurement of results of operations.

The Delinquent Tax Fund accounts for delinquent taxes and other fees collected to be distributed to the General Fund.

The Tax Revenue Fund accounts for property tax collections to be distributed to the Township General Fund.

The Fire Explosion Fund accounts for amounts collected from casualties and losses to ensure that the proper township ordinances are enforceable.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes not levied for a specific purpose.

**HENRIETTA TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:** (Continued)

**E. CASH AND CASH EQUIVALENTS -**

The Township has classified cash on hand in checking accounts as cash for balance sheet purposes. Cash in excess of current requirements is invested by the Treasurer in certificates of deposit. Because these accounts have liquidity similar to a regular checking account, they are presented as a cash equivalent in the financial statements.

**F. RECEIVABLES -**

Henrietta Township records accounts receivable for amounts due from the State of Michigan for State shared revenue in the General Fund.

**G. PREPAID EXPENSES -**

Expenses, material in amount, which provide benefits in a future period have been set up as prepaid. They will be recognized as an expense in the period receiving the benefit.

**H. CAPITAL ASSETS -**

Capital assets, which include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 years
Building improvements	15 to 30 years
Vehicles and equipment	3 to 7 years

**I. INTANGIBLE ASSETS**

The Township has entered into an agreement with the County Road Commission to construct and maintain roads within the township. The Township does not maintain custody of the roads but does share in the construction costs. The resources used in the construction of the roads are recorded as intangible assets and amortized over a period of 10 to 30 years in the government wide financial statements.

**J. FUND EQUITY -**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**K. ACCUMULATED UNPAID LEAVE PAY -**

It is the Township's policy to permit employees to accumulate earned but unused leave time. Accumulated at June 30, 2004, the liability included approximately \$500 unpaid leave pay benefits reported in the governmental funds. All leave pay is accrued when incurred in the government-wide and fiduciary fund financial statements.

**HENRIETTA TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**L. LONG TERM OBLIGATIONS -**

In the government wide financial statements, long term debt and other long term obligations are reported as liabilities in the applicable governmental activities.

**M. ESTIMATES -**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:**

**BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

**BUDGET VIOLATIONS -**

During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>FUND/DEPARTMENT</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>(EXCESS BUDGET VARIANCE)</u>
GENERAL FUND			
Treasurer	\$ 32,990	\$ 33,457	\$ (467)
Hall and grounds	3,550	3,738	(188)
Electrical inspections	8,000	8,179	(179)
Capital outlays	63,050	71,970	(8,920)
	<u>\$ 107,590</u>	<u>\$ 117,344</u>	<u>\$ (9,754)</u>
PUBLIC IMPROVEMENT FUND			
Operating transfers out	<u>\$ 13,922</u>	<u>\$ 19,721</u>	<u>\$ (5,799)</u>

**NOTE 3 - PROPERTY TAXES:**

The Township property taxes are levied annually on December 1<sup>st</sup>. Payment is due by the last day of the following February. For fiscal year 2004, the Township levied an operating tax. The operating tax is levied on the taxable valuation of real and personal property located within the Township on the preceding December 31<sup>st</sup>. For the 2003 levy collected in fiscal year 2004, the taxable value was \$102,935,594. The operating tax levied was 0.80220 mills (\$.8022 per \$1,000 of the taxable value).

**HENRIETTA TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 4 - CASH AND INVESTMENTS:**

The Township Treasurer is authorized by state law and a resolution from the Board of Trustees to invest surplus funds as follows:

- 1) Bonds or other direct obligations of the United States.
- 2) Certificates of deposit, savings accounts, deposit accounts or depository receipts of a federally insured bank or credit union.
- 3) Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services. The maturity date of the commercial paper must not be longer than 270 days from the purchase date, and no more than 50% of any fund may be invested in commercial paper at any time.
- 4) United States government or federal agency obligations repurchase agreements.
- 5) Bankers' acceptances of United States banks.
- 6) Mutual funds composed of investment vehicles which are legal for direct investments by the Township.

The captions on the combined balance sheets relating to cash and cash-restricted and the amounts of the Total (Memorandum Only) columns are as follows:

The Investments include certificate of deposits with a maturity date greater than 90 days at June 30, 2004.

<u>CARRYING AMOUNT:</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>FIDUCIARY FUNDS</u>	<u>TOTAL</u>
Cash and cash equivalents \$	306,278	\$ 509	\$ 306,787
Investments	66,988	-	66,988
	<u>\$ 373,266</u>	<u>\$ 509</u>	<u>\$ 373,775</u>

**NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES:**

The amount of interfund receivables and payables at June 30, 2004, are as follows:

<u>RECEIVABLES</u>		<u>PAYABLES</u>	
General	\$ -	Fire explosion	\$ 143
	-	Tax Revenues	366
Total	<u>\$ 509</u>	Total	<u>\$ 509</u>

**HENRIETTA TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 6 - PROPERTY, PLANT AND EQUIPMENT:**

Capital asset activity of Henrietta Township for the current year was as follows:

Capital assets not being depreciated

Land	\$ 3,500	\$ -	\$ -	\$ 3,500
Subtotal	<u>3,500</u>	<u>-</u>	<u>-</u>	<u>3,500</u>

Capital assets being depreciated

Buildings and improvements	241,266	38,174	-	279,440
Machinery and equipment	306,807	33,796	-	340,603
Vehicles	415,880	-	-	415,880
Subtotal	<u>963,953</u>	<u>71,970</u>	<u>-</u>	<u>1,035,923</u>

Less accumulated depreciation for

Buildings and improvements	194,567	7,088	-	201,655
Machinery and equipment	186,265	33,765	-	220,030
Vehicles	261,291	38,227	-	299,518
Subtotal	<u>642,123</u>	<u>79,080</u>	<u>-</u>	<u>721,203</u>

Net capital assets being  
depreciated

<u>321,830</u>	<u>(7,110)</u>	<u>-</u>	<u>314,720</u>
----------------	----------------	----------	----------------

Governmental activities capital

total Capital assets -  
net of depreciation

<u>\$ 325,330</u>	<u>\$ (7,110)</u>	<u>\$ -</u>	<u>\$ 318,220</u>
-------------------	-------------------	-------------	-------------------

**NOTE 7 - EMPLOYEES' PENSION PLAN:**

The Township contributes to a defined contribution pension plan, administered by an investment company, which covers all full time salaried and clerical employees.

A defined contribution pension plan provides pension benefits in return for service rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to a participant's account and the returns on investments of these contributions. Contributions made by an employee and contributions by the Township both vest immediately. The Township is required to contribute an amount equal to what each employee contributes up to 3% of the employee's gross earnings, excluding any overtime earnings.

During the year ending June 30, 2004, the Township's required contributions amounted to \$1,500.

The pension plan held no securities on the Township or other related parties during the year or as of the close of the fiscal year.



**HENRIETTA TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 8 - CHANGES IN LONG-TERM DEBT:**

The general long-term debt and other long-term obligations of Henrietta Township, and the changes therein, may be summarized as follows:

	DEBT OUT- STANDING 07/01/03	ADDITIONS OF NEW DEBT	RETIREMENTS AND REPAYMENTS	DEBT OUT- STANDING 06/30/04
<b><u>GOVERNMENTAL ACTIVITIES</u></b>				
Amount due to the Jackson County Road Commission under local shared road agreement	\$ 28,315	\$ -	\$ (15,675)	\$ 12,640
Fire engine installment purchase agreement. Payments of \$47,115 including interest at 5.5% annually through 3/25/06.	127,114	-	(40,124)	86,990
Total governmental activities	<u>\$ 155,429</u>	<u>\$ -</u>	<u>\$ (55,799)</u>	<u>\$ 99,630</u>

The Governmental Activities installment purchase agreement was obtained to purchase a fire engine. The remaining annual requirements to maturity for principal and interest are as follows:

FISCAL YEAR DUE	PRINCIPAL	INTEREST
2005	\$ 42,331	\$ 4,784
2006	44,659	2,456
	<u>\$ 86,990</u>	<u>\$ 7,240</u>

**NOTE 9 - BUILDING PERMITS:**

The Township complied with requirements to account for building permits and the related costs by establishing a department within the General Fund. Revenues for the year were \$51,950; the expenditures were \$52,656 as follows:

Revenues:	
Building permits	\$ 28,100
Electrical permits	9,630
Plumbing permits	6,345
Mechanical permits	7,875
Total	<u>\$ 51,950</u>
Expenditures :	
Building inspections	\$ 31,877
Electrical inspections	8,179
Plumbing-Mechanical inspections	12,600
Total	<u>\$ 52,656</u>
Expenditures in excess of revenues	<u>\$ (706)</u>

**HENRIETTA TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

**NOTE 10 – RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance for claims.

**HENRIETTA TOWNSHIP**  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2004

**HENRIETTA TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2004**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS	POSITIVE (NEGATIVE)
Beginning budgetary fund balance	\$ 136,649	\$ 161,930	\$ 161,930	\$ -
<b>Resources (Inflows):</b>				
Taxes -				
Current property taxes	105,000	82,000	82,613	613
Delinquent personal property	100	100	135	35
Administrative fees	25,000	28,000	27,269	(731)
Penalties and interest	-	2,000	2,209	209
Total taxes	130,100	112,100	112,226	126
Franchise fees	8,500	9,600	9,625	25
Licenses and permits				
Building permits	21,000	27,000	28,100	1,100
Electrical permits	6,000	9,000	9,630	630
Plumbing permits	4,000	6,000	6,345	345
Mechanical permits	5,000	7,500	7,875	375
Total licenses and permits	36,000	49,500	51,950	2,450
Fees and fines				
Site plan review	4,000	4,000	4,485	485
Zoning fees	2,000	2,000	3,050	1,050
Land division fees	2,500	1,000	1,200	200
Tax collection fees	7,000	8,937	8,938	1
Other fees	300	300	395	95
Total fees and fines	15,800	16,237	18,068	1,831
Intergovernmental				
Sales tax	310,000	312,600	303,935	(8,665)
State metro act	-	5,000	3,159	(1,841)
Total	310,000	317,600	307,094	(10,506)
Charges for services				
Fire and rescue runs	-	8,800	12,600	3,800
Street lights	4,600	4,670	4,670	-
Transfer station	41,600	44,000	42,474	(1,526)
Total	46,200	57,470	59,744	2,274
Interest income	1,200	1,200	1,069	(131)
Other revenue				
Rents	7,200	7,200	7,200	-
Reimbursements	-	7,000	8,133	1,133
Donations	-	33,530	33,530	-
Sale of property	-	-	1,600	1,600
Miscellaneous	600	1,125	1,771	646
Total	7,800	48,855	52,234	3,379
<b>OTHER FINANCING SOURCES (USES) -</b>				
Operating transfers in	-	20,000	19,721	(279)
Amounts available for appropriation	\$ 692,249	\$ 794,492	\$ 793,661	\$ (831)

**HENRIETTA TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2004**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
<b>Charges to appropriations (Outflows):</b>				
<b>LEGISLATIVE:</b>				
<b>TOWNSHIP BOARD:</b>				
Personal services	-	-	6,562	-
Memberships	-	-	2,291	-
Purchased services	-	-	12,714	-
Operating supplies	-	-	273	-
Telephone	-	-	3,833	-
Printing	-	-	2,099	-
Insurance	-	-	28,184	-
Training, education and seminars	-	-	60	-
Repairs and maintenance	-	-	1,561	-
Cemetery contributions	-	-	4,100	-
Community promotion	-	-	1,500	-
Miscellaneous	-	-	436	-
<b>TOTAL LEGISLATIVE</b>	<b>104,800</b>	<b>64,200</b>	<b>63,613</b>	<b>587</b>
<b>GENERAL GOVERNMENT:</b>				
<b>SUPERVISOR:</b>				
Personal services	-	-	16,630	-
Operating supplies	-	-	155	-
Telephone	-	-	635	-
Memberships	-	-	70	-
Training, education and seminars	-	-	95	-
Travel	-	-	72	-
Miscellaneous	-	-	110	-
<b>Total</b>	<b>18,130</b>	<b>18,048</b>	<b>17,767</b>	<b>281</b>
<b>ELECTIONS:</b>				
Personal services	-	-	2,655	-
Operating supplies	-	-	1,279	-
Printing	-	-	290	-
Training, education and seminars	-	-	9	-
Repairs and maintenance	-	-	300	-
<b>Total</b>	<b>10,500</b>	<b>5,000</b>	<b>4,533</b>	<b>467</b>
<b>TOWNSHIP CLERK:</b>				
Personal services	-	-	20,763	-
Memberships	-	-	110	-
Purchased services	-	-	3,323	-
Operating supplies	-	-	1,361	-
Postage	-	-	128	-
Telephone	-	-	37	-
Printing	-	-	1,119	-
Training, education and seminars	-	-	221	-
Travel	-	-	251	-
Miscellaneous	-	-	50	-
<b>Total</b>	<b>28,500</b>	<b>29,700</b>	<b>27,363</b>	<b>2,337</b>

**HENRIETTA TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2004**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE (NEGATIVE)
<b>ASSESSING:</b>				
Personal services	-	-	7,930	-
Memberships	-	-	199	-
Purchased services	-	-	44,562	-
Operating supplies	-	-	916	-
Postage	-	-	138	-
Printing	-	-	1,142	-
Training, education and seminars	-	-	950	-
Repairs and maintenance	-	-	700	-
Travel	-	-	600	-
Total	47,900	58,000	57,137	863
<b>BOARD OF REVIEW:</b>				
Personal services	-	-	1,610	-
Printing	-	-	85	-
Travel	-	-	43	-
Miscellaneous	-	-	45	-
Total	2,900	1,800	1,783	17
<b>TOWNSHIP TREASURER:</b>				
Personal services	-	-	22,758	-
Memberships	-	-	39	-
Insurance	-	-	1,388	-
Purchased services	-	-	3,213	-
Operating supplies	-	-	1,350	-
Postage	-	-	1,456	-
Telephone	-	-	145	-
Printing	-	-	90	-
Repairs and maintenance	-	-	635	-
Training, education and seminars	-	-	22	-
Travel	-	-	286	-
Utilities	-	-	220	-
Miscellaneous	-	-	1,855	-
Total	31,990	32,990	33,457	(467)
<b>TOWNSHIP HALL AND GROUNDS:</b>				
Purchased services	-	-	1,650	-
Repairs and maintenance	-	-	2,045	-
Utilities	-	-	43	-
Total	3,950	3,550	3,738	(188)
<b>TRANSFER STATION:</b>				
Personal services	-	-	15,812	-
Purchased services	-	-	47,645	-
Operating supplies	-	-	55	-
Repairs and maintenance	-	-	1,287	-
Utilities	-	-	582	-
Miscellaneous	-	-	371	-
Total	61,270	69,000	65,752	3,248
<b>TOTAL GENERAL GOVERNMENT</b>	<b>205,140</b>	<b>218,088</b>	<b>211,530</b>	<b>6,558</b>

**HENRIETTA TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2004**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>PUBLIC SAFETY:</b>				
<b>POLICE DEPARTMENT:</b>				
Contracted services - Police	10,000	9,500	8,160	1,340
<b>FIRE DEPARTMENT:</b>				
Personal services	-	-	92,715	-
Memberships	-	-	370	-
Purchased services	-	-	3,448	-
Operating supplies	-	-	7,362	-
Gas and oil	-	-	1,467	-
Telephone	-	-	1,503	-
Printing	-	-	556	-
Repairs and maintenance	-	-	20,937	-
Training, education and seminars	-	-	3,352	-
Travel	-	-	1,311	-
Utilities	-	-	9,791	-
Miscellaneous	-	-	222	-
Total	138,850	154,670	143,034	11,636
<b>ORDINANCE ENFORCEMENT:</b>				
Operating supplies	-	-	22	-
Purchased services	-	-	4,790	-
Telephone	-	-	138	-
Travel	-	-	790	-
Total	6,800	6,800	5,740	1,060
<b>BUILDING INSPECTIONS:</b>				
Personal services	-	-	30,409	-
Operating supplies	-	-	112	-
Postage	-	-	200	-
Telephone	-	-	468	-
Training, education and seminars	-	-	228	-
Travel	-	-	460	-
Total	28,400	32,000	31,877	123
<b>ELECTRICAL INSPECTIONS:</b>				
Personal services	-	-	7,699	-
Training, education and seminars	-	-	284	-
Travel	-	-	196	-
Total	6,350	8,000	8,179	(179)
<b>PLUMBING-MECHANICAL INSPECTIONS:</b>				
Purchased services	-	-	12,120	-
Travel	-	-	480	-
Total	8,000	14,000	12,600	1,400

**HENRIETTA TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2004**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL	AMOUNTS	FINAL BUDGET
				POSITIVE (NEGATIVE)
PLANNING AND ZONING				
Personal services	-	-	6,413	-
Memberships	-	-	1,211	-
Operating supplies	-	-	1,140	-
Purchased services	-	-	7,226	-
Printing	-	-	569	-
Postage	-	-	150	-
Telephone	-	-	16	-
Training, education and seminars	-	-	364	-
Travel	-	-	693	-
Miscellaneous	-	-	10	-
Total	23,160	19,660	17,792	1,868
TOTAL PUBLIC SAFETY	221,560	244,630	227,382	17,248
PUBLIC WORKS:				
HIGHWAYS AND STREETS				
Road construction	17,100	16,000	15,675	325
STREET LIGHTS				
Utilities	5,200	5,200	5,152	48
TOTAL PUBLIC WORKS:	22,300	21,200	20,827	373
CAPITAL OUTLAY:				
Township clerk	200	10,250	16,999	-
Assessing	800	3,000	3,414	-
Treasurer	500	4,800	7,275	-
Hall and grounds	250	39,000	38,174	-
Building inspections	-	6,000	6,108	-
Total	1,750	63,050	71,970	(8,920)
OTHER FINANCING SOURCES (USES) -				
Operating transfers out	47,000	17,000	17,000	-
TOTAL CHARGES TO APPROPRIATIONS	602,550	628,168	612,322	15,846
BUDGETARY FUND BALANCE -				
End of year	\$ 89,699	\$ 166,324	\$ 181,339	\$ 15,015



**HENRIETTA TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**VEHICLE REPLACEMENT FUND**  
**YEAR ENDED JUNE 30, 2004**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
Beginning budgetary fund balance	\$123,118	\$123,027	\$123,027	\$ -
<b>Resources (Inflows):</b>				
Interest income	2,500	2,500	1,832	(668)
<b>Charges to appropriations (Outflows):</b>				
<b>DEBT SERVICE</b>				
Public safety	50,000	50,000	47,117	2,883
<b>OTHER FINANCING SOURCES (USES) -</b>				
Operating transfers in	50,000	50,000	17,000	(33,000)
<b>BUDGETARY FUND BALANCE -</b>				
End of year	<u>\$ 125,618</u>	<u>\$ 125,527</u>	<u>\$ 94,742</u>	<u>\$ (30,785)</u>

**HENRIETTA TOWNSHIP**  
**BUDGETARY COMPARISON SCHEDULE**  
**PUBLIC IMPROVEMENT FUND**  
**YEAR ENDED JUNE 30, 2004**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>AMOUNTS</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
Beginning budgetary fund balance	\$ 43,022	\$ 185,913	\$ 185,913	\$ -
<b>Resources (Inflows):</b>				
Interest income	2,500	2,500	4,715	2,215
<b>Charges to appropriations (Outflows):</b>				
<b>OTHER FINANCING SOURCES (USES) -</b>				
Operating transfers out	(32,960)	(13,922)	(19,721)	(5,799)
<b>BUDGETARY FUND BALANCE -</b>				
End of year	<u>\$ 12,562</u>	<u>\$ 174,491</u>	<u>\$ 170,907</u>	<u>\$ (3,584)</u>

**HENRIETTA TOWNSHIP**  
**MEMORANDUM OF COMMENTS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**Budgeting Procedures**

As disclosed in Note 2, the Township spent amounts in excess of the approved budget during the year ended June 30, 2004. This is a violation of Public Act 621 of 1978. The Township should prepare budget amendments as necessary to avoid this situation in the future.

**Segregation of Duties**

Because of the limited size of Henrietta Township's staff, proper segregation of duties cannot be accomplished. This is an inherent weakness in the internal controls of the Township.

**Township Credit Card**

The Township has a credit card policy which prohibits personal use of any kind. During our tests of cash disbursements we found a single incident of a personal purchase on one of the Townships business accounts. We followed up on this unauthorized use and found that the Township was reimbursed for the purchase. However, the Township's policy needs to be adhered to without exception. We were pleased to find that the Township's management had followed up on this incident.

**Transfer Station**

The Township provides refuse service by operating a transfer station that residents can use to dispose of their garbage. In prior years, reports were submitted to the board in a timely manner that allowed management to review the operations and cost of the service it provided. During our audit we noted that the reporting of revenues and other information was not being provided. Since cash is collected weekly, it is imperative to have current information in order for controls to work properly. We spoke with management concerning this situation and they have taken measures to receive weekly reporting since the end of the fiscal year.

**Fireman's Club**

The Township's fire department employees withhold an amount from their earnings to contribute to a fireman's club. The club is not reported or operating by the Township. However, because of the relationship between the club and the Township (only fireman/employees belong to the club) we suggest that an accounting of the finance's of the club be submitted to the Township's management on a quarterly basis. This step would ensure that the Township is not adversely affected by unauthorized use of club monies.

# MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS  
2880 SPRING ARBOR ROAD  
JACKSON, MICHIGAN 49203  
PHONE (517) 782-9351  
FAX (517) 782-0599

K. LAVERNE MARKOWSKI, C.P.A.  
RONALD L. MARKOWSKI, C.P.A.  
DOUGLAS E. ATKINS, C.P.A.

**MEMBERS:**  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTS  
ESTATE PLANNING COUNCIL  
OF SOUTH CENTRAL MICHIGAN

December 17, 2004

Township Board  
Henrietta Township

We have audited the basic financial statements of Henrietta Township for the year ended June 30, 2004, and have issued our report thereon dated December 17, 2004. Professional standards require that we provided you with the following information related to our audit.

## **Our responsibility under Generally Accepted Auditing Standards**

As stated in our engagement letter dated December 9, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of Henrietta Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

## **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Henrietta Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2004. We noted no transactions entered into by Henrietta Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### **Significant Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by Henrietta Township that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed several audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on Henrietta Township's financial reporting process.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Henrietta Township's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Trustees and management of Henrietta Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

  
MARKOWSKI & COMPANY, CPAs